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SPECIAL REPORT

THE ERHARD GOVERNMENT IN WEST GERMANY

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THE ERHARD GOVERNMENT IN WEST GERMANY

Ludwig Erhard has taken over as the German Federal Republic's second chancellor without any sign of the frustration occasioned by his long wait for Konrad Adenauer to step down. Erhard has made few changes in the cabinet or in the policy line established by his predecessor. In matters of both administration and policy formulation, however, Erhard's approach is certain to be less rigid than was Adenauer's. This greater flexibility is likely to be particularly evident in support for US efforts to ease East-West tensions. Erhard in fact seems eager to promote the most cordial of relations with the United States--starting with a visit to Washington from 24 to 27 November.

The New Regime

Erhard appears to epitomize the mood of well-being now prevalent in West Germany. Of a more placid nature than Adenauer, he also exudes self-confidence and is seemingly eager to come to grips with the tests which will shape his own political future and to a certain extent that of Germany itself.

Erhard is by far the most popular political figure in West Germany. He not only enjoys the widespread backing of his own Christian Democratic Union (CDU), but also has the pledge of full cooperation from the Free Democratic Party, the CDU's coalition partner. Even the opposition Social Democrats have held their fire. While ex-Chancellor Adenauer and a hard core of his admirers still seem unconvinced of Erhard's leadership abilities, they have had little opportunity thus far to attack him.

Erhard has retained most of the Adenauer cabinet, including Foreign Minister Gerhard Schroeder and Defense Minister Kai-Uwe von Hassel. Nevertheless, the modus operandi of the new government apparently is Erhard's. In this, Erhard is discarding Adenauer's closed-door, iron-fisted approach in favor of broad consultation with his colleagues and public disclosure of government policy decisions.

In addition he appears to have taken charge of the CDU's fortunes. At a 12 November party rally, the new chancellor is reported by the US Embassy to have overshadowed Adenauer, who continues as party chairman, and to have imbued the party stalwarts with his own sense of confidence.

Foreign Policy

Erhard's initial policy statement last month reflected

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THE WEST GERMAN CABINET

The cabinet announced 17 October 1963 is, like the previous Adenauer government, a coalition of the Christian Democratic Union (CDU)--with its Bavarian affiliate, the Christian Social Union (CSU)--and of the Free Democratic Party (FDP).

Chancellor	Ludwig Erhard (CDU) --who replaced Adenauer (CDU).
Vice Chancellor and Minister for All-German Affairs	Erich Mende (FDP) --who replaced Erhard as Vice Chancellor and Rainer Barzel (CDU) as All-German Affairs Minister.
Minister for Foreign Affairs	Gerhard Schroeder (CDU)
Minister of Defense	Karl-Ulrich von Hassel (CDU)
Minister of Economics	Kurt Schmueder (CDU) --who replaced Erhard.
Minister of Finance	Rolf Dohlig (FDP)
Minister of the Interior	Hermann Hoehner (CSU)
Minister of Justice	Ewald Bucher (FDP)
Minister for Scientific Research	Hans Lenz (FDP)
Minister for Labor and Social Affairs	Theodor Blank (CDU)
Minister of Transport	Hans-Christoph Seebohm (CDU)
Minister for Post and Telecommunications	Richard Stuecklen (CSU)
Minister for Refugees, Expellees, and War Victims	Hans Krueger (CDU) --who replaced Wolfgang Mitschnick (FDP).
Minister for Food, Agriculture, and Forests	Werner Schwarz (CDU)
Minister for Housing, City and Regional Planning	Paul Luecke (CDU)
Minister for Family and Youth Affairs	Bruno Heck (CDU)
Minister for Bundesrat and Laender Affairs	Alois Niederalt (CSU)
Minister for Federal Property	Werner Dollinger (CSU)
Minister of Health	Elisabeth Schwarzhaupt (CDU)
Minister for Economic Cooperation	Walter Scheel (FDP)
Minister for Special Tasks	Heinrich Krone (CDU)

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WEST GERMAN CHANCELLOR LUDWIG ERHARD



Born 4 February 1897.
Wounded during World War I.
Received Doctorate in economics
from University of Frankfurt, 1924.
Member of Institute for Economic
Observation in Nuremberg, a market
research organization, from 1928 to
1942, when ousted as result of Nazi
pressure.
Bavarian Minister of Economics, 1945-
1946.
Became Director of the Money and
Credit Office of the Bizonal Economics
Administration in 1947 and prepared
currency reform of 1948.
Elected member of Bundestag and
appointed Minister of Economics,
1949.

Became Vice Chancellor, 1957. Elected Chancellor, 16 Oct. 1963.
Other data: married, one daughter, Protestant, inveterate cigar smoker,
speaks some English but prefers German in official discussion.

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an intention to steer close to
the course set by Adenauer.
He emphasized Germany's yearn-
ing for unification, and re-
affirmed his faith in the sound-
ness of the German economy.
He also underlined West Germany's
unshakable Western orientation.

Erhard's cautious public
approach to foreign affairs
may well derive not only from
inexperience in this field
but also from his realization
that this is the area where
he will meet challenge. Ini-

tially, Erhard must find a way
between those, such as Schroeder,
who would follow the US lead
in seeking to ease East-West
tensions, and those who cling
to the Adenauer line that such
a course will eventually lead
to disaster. While Erhard has
been equivocal in public, other
indications are that he favors
the Schroeder approach.

Like most West Germans,
Erhard appears unwilling to
believe Bonn is facing a choice
between France and the US. In

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indicating that his 21-22 November visit to De Gaulle is intended to demonstrate that he will continue to honor the consultative features of the Franco-German treaty, Erhard said also that he will make it clear that he does not share the French leader's dream of a third force role for a French-led Europe.

Thus far Erhard has shown every intention of doing everything he can to promote harmonious relations with Washington. Less suspicious by nature than Adenauer, he did not enter into the criticism of the US for its alleged failure to protect Bonn's interests in the drafting of the nuclear test ban treaty. With regard to the controversy over Operation Big Lift, Erhard deplored the lack of faith on the part of some West Germans in their chief ally.

Erhard shares none of Adenauer's animosity toward the UK, and may be expected to encourage closer ties with London. He is on record in favor of British accession to the Common Market, and plans also to visit Britain next January.

On the larger question of political integration, Erhard has plumped for "reactivating the political formation of Europe." However, his conception of a united Europe--a loosely knit community forming part of an Atlantic complex--is not wholly shared in Paris or in any other capital of "the Six." Paris would agree with the loose, confederal organiza-

tion, but not with an enlarged membership, especially in the case of Britain; Italy and Benelux, on the other hand, would insist on a strong, supranational authority if Britain were not a member. It is, in fact, Britain which would most closely reflect Erhard's formula.

German Unification and Relations With the East

It now seems that Erhard's greatest innovations may have to do with West Germany's policy toward the Communist bloc. For a variety of reasons, he is adopting a more flexible approach than his predecessor. These reasons include: the efforts which have been made by the US and USSR to reduce tensions and which have given a fillip to West German hopes on the unification question; Erhard's ideas on how Western economic strength can be manipulated in dealing with the bloc; and the movement, already launched by Schroeder, toward more normal relations with the European satellites.

The West Germans have long felt that the day would come when the two superpowers would find it mutually advantageous to work out a modus vivendi, and they have a persistent anxiety that German interests might be damaged in the process. Uppermost in their minds, of course, is the fear that US-Soviet agreements affecting central Europe will leave Germany divided. Their strategy to prevent this has been to try to make steps toward a detente

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contingent upon measures for unification.

This strategy was evident last summer after the test ban treaty was concluded when Schroeder presented Western diplomats with his "Peace Plan." This plan stipulated that measures adopted by East and West for European security

"would become effective *pari passu* with progress toward German unification."

More recently Erhard's thoughts have turned to the question of how best to exploit Moscow's need for Western economic assistance. In a television interview on 3 November, for example, he discussed the

THE NEW FACES IN THE ERHARD CABINET



ERICH MENDE (FDP)
Vice-Chancellor and Minister for All-German Affairs
Chairman of the Free Democratic Party since January 1960. Intra-party popularity now waning because of his weak leadership. Refused to serve in coalition when FDP first joined with Christian Democrats (CDU) under Adenauer in 1961.



KURT SCHMUECKER (CDU)
Minister of Economics

Deputy Chairman of CDU/CSU parliamentary group in Bundestag, Dec. 1961 to Oct. 1963. Before then had been Chairman of Bundestag Economics Committee since Oct. 1959. Lacks stature as an economist.



HANS KRUEGER (CDU)
Minister for Refugees, Expellees, and War Victims

President of powerful League of Expellees since Dec. 1958. Holds moderate views on refugee questions.

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question of Western talks with the Soviets and said that the Federal Republic would be prepared to pay a high economic price for reunification. "Above all," he remarked, "we should not shrink from a big material sacrifice." At the same time, he was explicit that Bonn would not take the initiative in any proposals along this line that might be made to Moscow. He also reiterated his long-standing opposition to bilateral negotiations between Germany and the USSR.

Whether or not Erhard actually believes that German unity can be bought by German economic aid, he apparently feels that the thesis ought to be tested and may soon come up with definite proposals. The effort is likely to appeal to West Germans who are beginning to lose faith in the Adenauer doctrine that Western strength alone will bring unity.

There is no chance that Erhard will explore the possibilities of unification through direct negotiations with the East German regime. He has been as consistent an opponent as any in Bonn of actions that would raise the political stature of that regime. But pending movement toward unification, Erhard hopes to find ways to ameliorate the lives of the East Germans. In line with this is a suggestion advanced by Schroeder on 9 November that economic assistance might be extended to East Germany in return for moves toward

political liberalization there. Erhard has also gone on record in the past as favoring East-West German talks on technical subjects, such as transport and communications, closer economic relations, and greater freedom of movement.

The new chancellor has so far not come up with any new ideas on the situation in Berlin. During his 28-29 October visit there, however, he received a far warmer official reception than those recently accorded Adenauer, and promised to improve consultative ties between the Federal Republic and the beleaguered city.

Improvement of relations with the other European satellites is an important plank in the government's foreign policy, although there is no discernible intention to establish diplomatic relations with any of them. Since Erhard assumed office, new agreements on trade and the exchange of trade missions have been concluded with Rumania and Hungary. Extension of such agreements to other satellites may, however, be impeded by opposition from the CDU right wing, which is hiding its time for an opportunity to discredit the regime's bloc policy.

Defense Matters

Erhard has no disposition to see a letdown in Western military preparedness. Describing NATO as the "bedrock" of German policy, he intends to

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move forward with the augmentation of German military strength which was planned in the previous administration.

Moreover, he is no less interested than his predecessor in gaining a German voice in the control of the West's nuclear power. While Erhard seems to have no desire for German acquisition of national nuclear weapons, he looks forward to a common NATO deterrent, collectively controlled, and shorn of a US veto. This is his concept of the proposed multilateral force (MLF), which he contends is "essential" to closer political cooperation and the integration of defense within NATO.

Erhard has indicated no interest in bilateral nuclear arrangements with France, and in taking this attitude, as well as in his advocacy of the MLF, he seems bound to be drawn into political battle with former Defense Minister Strauss. The bulk of the CDU, however, as well as the Free Democrats and Socialists, are favorable to the MLF.

Bonn also remains wedded to the "forward strategy"--i.e., defending Germany at the East-West border--and feels strongly that this is credible only through the presence of large US forces in Germany. The new government, therefore, like the old, will vigorously oppose any substantial US troop withdrawals.

It may, however, be agreeable to "adjustments" for technical reasons.

Domestic Policy

As the man generally conceded to be the prime mover in West Germany's return to affluence, Erhard cannot afford to preside over any slackening in the nation's present economic well-being. On taking office he stressed once more the virtues of the "social market economy"--his personal brand of government-supervised free enterprise--and pledged his government to a program of fiscal responsibility.

In its determination to hold the line, the Erhard cabinet decided on 23 October that the 1964 federal budget will increase only 6 percent, the same rate of growth being achieved by the West German economy. With markedly heavier defense commitments to be met, Erhard will presumably have to effect stringencies in other areas. The most likely candidate for cuts is the government's long-pending package of social legislation.

The new chancellor faces a stern political test in reconciling the requirements to the European Economic Community (EEC) and the self-interest of the German farmer. Growing pressure from the Common Market to establish a Community grain

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price has aroused fierce opposition throughout the politically potent German agricultural sector. While Erhard seems to be leaning toward an EEC-sponsored compromise solution, he has thus far avoided any public commitment.

Outlook

Erhard has already given public notice that he does not regard himself as an interim chancellor. To prove his point, he will seek prior to the 1965 election to build a record of personal achievement. Arrayed against him is a Social

Democratic Party which, with its slim but consistent lead in the opinion polls, senses that 1965 may finally be its year of victory. Erhard must also be wary of the Free Democrats, who in the past have proven fickle coalition partners, and he must guard against those right-wing Christian Democrats, silent and isolated at present, who will undercut him at any opportunity. On the basis of his past performance, he would appear to stand a good chance of success, and the present mood in Bonn seems to incline toward giving him a fair chance to prove his mettle.
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